

Message Text

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E.O. 11652: N/A
TAGS: ECON, ELAB, PO
SUBJECT: EXTENSION OF DECREE LAW LIMITING WAGE
INCREASES TO 15 PERCENT

REF: A. 77 LISBON A-313, B. LISBON 0540

1. GOP HAS JUST PUBLISHED IN THE OFFICIAL GAZETTE "DIARIO DA REPUBLICA" DECREE-LAW 565/77, BACKDATED TO DECEMBER 31, 1977. THIS DECREE-LAW EXTENDS DECREE-LAW 49-A/77 OF FEBRUARY 1977, WHICH ESTABLISHED A CEILING OF 15 PERCENT FOR WAGE INCREASES DURING 1977. THE EXTENSION OF DECREE LAW 49-A/77, WHICH EXPIRED DECEMBER 31, WILL LAST UNTIL GOP HAS PUBLISHED SUBSEQUENT DECREE-LAW SPECIFYING WHAT SALARY INCREASE CEILING WILL BE IN 1978, BUT NOT BEYOND DECEMBER 31, 1978, IF NEW CEILING IS NOT PUBLISHED BY THEN. IN EFFECT, DECREE-LAW 565/77 APPARENTLY IS AN INTERIM MEASURE DESIGNED TO CURTAIL WAGE INCREASES UNTIL THE GOP DEFINITELY DETERMINES ITS WAGE POLICY.

2. DURING 1977 THE 15 PERCENT CEILING WAS GENERALLY
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ENFORCED, ALTHOUGH SEVERAL EXCEPTIONS WERE MADE AFTER CONSULTATIONS BETWEEN THE NEGOTIATING PARTIES AND THE MINISTRY OF LABOR (REFAIR). THE EXTENSION OF THE 15 PERCENT CEILING, EVEN IF ONLY TEMPORARY, HAS EVOKED SWIFT AND CONFUSED REACTIONS FROM BUSINESS AND LABOR (SEPTTEL).

3. THE JANUARY 19, 1978 PS/CDS POLITICAL AGREEMENT PRO-

VIDED FOR A WAGE BILL INCREASE OF UP TO 20 PERCENT. SEVERAL PRIVATE FIRMS HEARING ABOUT THE POSSIBLE 15 PERCENT EXTENSION, BUT PREFERRING TO GRANT HIGHER WAGES, LAST MONTH INSTITUTED AND REGISTERED WITH THE MINISTRY OF LABOR CONTRACTS GRANTING WAGE INCREASES OF UP TO 20 PERCENT. HOW THE GOP WILL NOW DEAL WITH THESE CONTRACTS REMAINS UNCLEAR. ANY ATTEMPT TO REDUCE THE WAGE INCREASES FROM 20 PERCENT TO 15 PERCENT WOULD, OF COURSE, CAUSE STRONG LABOR OPPOSITION. AN INFORMAL SOUNDING INDICATES THAT MANY AMERICAN BUSINESSMEN ARE UNHAPPY WITH EXTENSION OF THE 15 PERCENT CEILING AND ARE PREDICTING LABOR UNREST UNLESS THE NEW GOVERNMENT QUICKLY MODIFIES THIS POLICY.

4. GOP CLEARLY HAS ACTED WITH THE FORTHCOMING IMF NEGOTIATIONS IN MIND. IT HAD TO ACT QUICKLY, FOLLOWING THE EXPIRATION OF DECREE-LAW 49-A/77, TO PREVENT A SUDDEN SURGE OF LARGE WAGE INCREASES FROM DESTROYING ITS ABILITY TO CONCLUDE A WAGE POLICY AGREEMENT WITH THE FUND. FEW IF ANY OBSERVERS BELIEVE, HOWEVER, THAT THE GOP CAN HOLD A 15 PERCENT LINE. IT WILL MOST LIKELY RAISE THIS CEILING DURING THE NEXT MONTH OR TWO, PERHAPS UP TO 20 PERCENT AS MENTIONED IN THE PS/CDS POLITICAL AGREEMENT. CARLUCCI

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